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FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

**Anthony M. Alessi**  
Director  
Federal Relations



January 12, 1999

Ms. Magalie Roman Salas, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

RE: **Ex Parte Presentation**  
CC Docket 96-262

Dear Ms. Salas:

On Monday, January 11, 1999, Kristin Shulman, Karl Wardin and I met with Larry Strickling, Chief, Common Carrier Bureau, Jim Schlichting, Deputy Chief, Common Carrier Bureau, Jane Jackson, Chief, Competitive Pricing Division and Richard Cameron, Common Carrier Bureau to discuss Ameritech's position on access reform and pricing flexibility. The attached material was used as part of our discussion.

Sincerely,

A handwritten signature in cursive script that reads "Anthony M. Alessi".

Attachment

cc: L. Strickling  
J. Schlichting  
J. Jackson  
R. Cameron

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# Access Reform - Let the Market Based Approach Work

January 11, 1998

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OFFICE OF THE SECRETARY

# Let the Market Based Approach Work

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- Ameritech's comments demonstrate that competition has developed sufficiently to adopt a pricing flexibility framework which addresses three important matters
  - » Greater pricing flexibility commensurate with the growth of competition
  - » A price cap X-factor that reflects the level of competition
  - » The removal of competitive services from price cap regulation
- In an ever increasing competitive environment, the market based approach will continue to benefit consumers and the industry
  - » The full effect of competitive market-based pressures on access rates resulting from the recently approved AT&T/TCG, MCI WorldCom/Brooks/MFS and Qwest/LCI mergers have not yet been realized in the marketplace. Let the markets work
  - » Prescription of rates to forward looking costs or increasing the X-factor will discourage ILEC productivity and investment and stifle the development of facilities based competition
  - » ILECs provide the majority of infrastructure development; pricing flexibility incentives need to be adopted to encourage continued network investment

# Let the Market Based Approach Work (Cont'd)

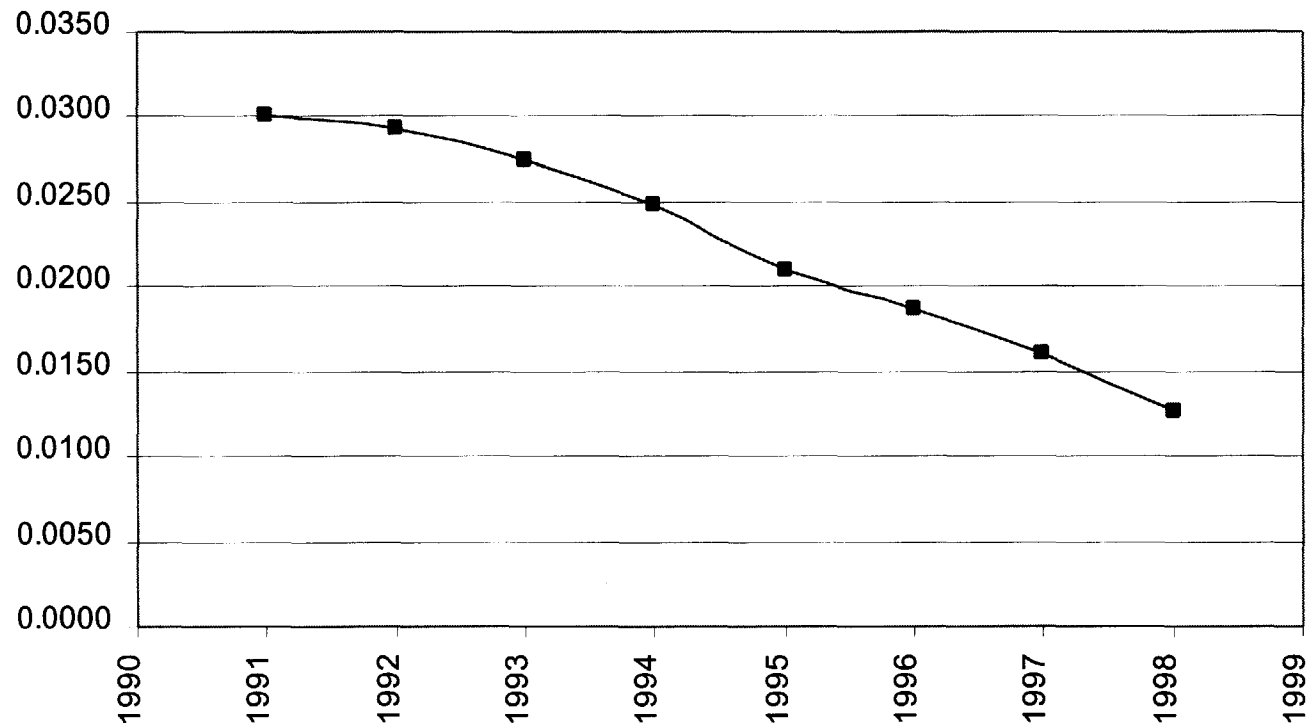
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- Any prescriptive or transitional prescriptive approach would be a regression to pre-1990's rate of return type regulation and would undermine the competitive marketplace
  - » A prescriptive approach will not encourage residential competition
  - » LECs need adequate earnings and the ability to earn in the future to upgrade and maintain existing networks
- USTA updates to the FCC's average model X-factor and USTA's TFPRP model demonstrates that the X-factor is too high

# Ameritech's Access Rates are Just and Reasonable

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Ameritech Switched Access Rate History  
1991-1998 Annual Filings



# The Time is Now for the Commission to Adopt a Pricing Flexibility Framework

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- The Commission must use a workable standard in any pricing flexibility proposal
  - » DS1 equivalents and MOUs in collocated offices is an example of a workable standard that measures tangible (not potential) competitive pressure
  - » The Commission always has the right to ask for additional competitive information, if needed
- Numerous telecommunications services have been declared competitive under the Illinois Competitive Declaration process
- Hi-Cap and Directory Assistance services are substantially competitive and should be removed from price cap regulation
- Interstate IntraLATA services should be removed from price cap regulation on 2/8/99
- All states within the Ameritech region have already granted pricing flexibility for transport services